ARTHUR ANDERSEN

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PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

FINANCIAL STATEMENTS AS OF DECEMBER 31, 1999 AND 1998 TOGETHER WITH AUDITORS' REPORT

Release Date 7-19-00

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

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ARTHUR ANDERSEN

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Commissioners
Hospital Service District Number 1 of Plaquemines
Parish, Louisiana
Port Sulphur, Louisiana:

We have audited the accompanying balance sheets of Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) as of December 31, 1999 and 1998, and the related statements of revenues and expenses and fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States and in accordance with the standards for financial audits contained in Government Auditing Standards (1994 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of December 31, 1999 and 1998, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The accompanying financial statements have been prepared assuming that the Center will continue as a going concern. As discussed in Note 4 to the financial statements, the Center's results from operations raise substantial doubt about the Center's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 4. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Center be unable to continue as a going concern.

In accordance with Government Auditing Standards, we have also issued a report on our consideration of the Center's compliance and internal control over financial reporting dated April 26, 2000.

Arthur Andersen LLP

New Orleans, Louisiana,
April 26, 2000

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 37,856	$ 14,448
Ad valorem tax revenue receivable (Note 3)	1,011,356	1,084,166
Patient accounts receivable, net of estimated uncollectibles of $412,380 in 1999 and $372,850 in 1998	228,575	385,815
Supplies and prepaids	61,887	67,055
Due from WIC program	13,218	13,181
Total current assets	1,352,892	1,564,665
PROPERTY AND EQUIPMENT, net of accumulated depreciation of $614,097 in 1999 and $598,525 in 1998 (Notes 1 and 4)	104,299	47,801
Total	$1,457,191	$1,612,466
LIABILITIES AND FUND BALANCE		
CURRENT LIABILITIES:		
Accounts payable	$ 113,727	$ 243,853
Amounts due Medicare/Medicaid programs (Note 1)	-	56,406
Accrued expenses	26,359	27,979
Line of credit (Note 6)	100,000	-
Total current liabilities	240,086	328,238
ADVANCES FROM PLAQUEMINES PARISH (Note 4)	225,000	225,000
FUND BALANCE:		
Undesignated	992,105	1,059,228
Total	$1,457,191	$1,612,466

The accompanying notes are an integral part of these financial statements.

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

STATEMENTS OF REVENUES AND EXPENSES AND FUND BALANCE

YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
OPERATING REVENUES:		
Ad valorem tax revenue (Note 3)	$1,148,170	$1,145,000
Net patient service revenue	801,239	1,164,980
WIC program grant	53,323	53,317
Interest income	15,188	18,469
Rental income	16,080	15,105
Other operating revenue	89,183	8,424
Total operating revenues	2,123,183	2,405,295
OPERATING EXPENSES:		
Salaries and related expenses	767,653	925,366
Professional fees	525,525	500,273
Provision for bad debts	356,104	294,096
Medical supplies	164,667	168,536
Contract labor	107,497	133,685
Management fees	36,000	54,750
Repairs and maintenance	35,686	51,059
Purchased services	29,535	36,336
Depreciation and amortization	33,585	33,969
Utilities and telephone	28,289	33,612
Insurance	24,228	26,610
Administrative supplies	19,668	22,698
Travel and seminars	3,497	19,820
Computer services	9,202	9,789
Rentals	13,860	12,700
Other	35,310	37,083
Total operating expenses	2,190,306	2,360,382
REVENUES OVER (UNDER) EXPENSES	(67,123)	44,913
FUND BALANCE AT BEGINNING OF YEAR	1,059,228	1,014,315
FUND BALANCE AT END OF YEAR	$ 992,105	$1,059,228

The accompanying notes are an integral part of these financial statements.

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ (67,123)	$ 44,913
Depreciation and amortization	33,585	33,969
Adjustments to reconcile to net cash provided by operating activities:		
(Increase) decrease in ad valorem tax revenue receivable	72,810	(115,765)
Decrease in net patient accounts receivable	157,240	60,581
(Increase) decrease in receivable from WIC program	(37)	11,500
(Increase) decrease in supplies and prepaids	5,168	(805)
Increase (decrease) in accounts payable and accrued expenses	(131,746)	66,612
Decrease in amounts due Medicare/Medicaid programs	(56,406)	(103,000)
Net cash provided by (used in) operating activities	13,491	(1,995)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(90,083)	-
Net cash used in investing activities	(90,083)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings on line of credit	100,000	-
Net cash provided by financing activities	100,000	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	23,408	(1,995)
CASH AND CASH EQUIVALENTS, beginning of year	14,448	16,443
CASH AND CASH EQUIVALENTS, end of year	$ 37,856	$ 14,448

The accompanying notes are an integral part of these financial statements.

PLAQUEMINES PARISH COMPREHENSIVE CARE CENTER

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization - Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) is organized under powers granted to parishes in the Louisiana Revised Statutes and is exempt from Federal and state income taxes. All corporate powers are vested in a Board of Commissioners appointed by the Plaquemines Parish Council. Prior to January 1, 1990, the Center operated as Plaquemines Parish General Hospital (the Hospital). The Center has been managed by West Jefferson Service Corporation since March 14, 1990. Effective July 7, 1998, Plaquemines Parish Home Health Agency, a component of the Center, ceased operations.

Basis of Accounting - The financial statements are prepared in accordance with generally accepted accounting principles (GAAP) on the going concern basis which contemplates the realization of assets and liquidation of liabilities in the ordinary course of business. As discussed in Note 4, certain conditions indicate the Center may be unable to continue as a going concern.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Patient Service Revenue - The Center has agreements with third-party payors that provide for reimbursement to the Center at amounts different from its established rates. Medicare and Medicaid home health services, bad debts and capital costs have been generally reimbursed on a cost basis, subject to certain limits. Amounts receivable under these programs are subject to audit and retroactive adjustment by the program intermediary. Provisions for estimated retroactive adjustments are provided in the period the related services are rendered. The difference between the final settlement amount and the recorded estimate for any one year is reported as an adjustment to net patient service revenues in the year final settlement is determined. The Center's Medicare and Medicaid cost reports have been audited by the program intermediary through December 31, 1996.

Income Taxes - The Center is a governmental entity under Section 517 of the Internal Revenue Code and is therefore exempt from Federal income taxes.

Cash and Cash Equivalents - Cash and cash equivalents, for cash flow statement purposes, include investments in highly liquid debt instruments with a maturity of three months or less, including amounts whose use is limited by board designation.

Supplies - Inventories are valued at the lower of cost, determined using the first-in, first-out method, or market.

Property and Equipment - Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 3 to 15 years.

Charity Care - The Center does not have a formal charity care policy, nor does it maintain detailed records of the amount of charity care it provides.

Reclassification - Certain prior year amounts have been reclassified to conform with current year presentation.

2. EMPLOYEE RETIREMENT PLAN:

The Center participates in a defined contribution retirement plan administered by the Parochial Employees' Retirement System of Louisiana. All employees who meet certain minimum eligibility requirements become members of the Plan upon employment. The Plan Agreement provides that participating employees contribute 9.5% of their gross compensation through payroll deductions. The Center contributed 7.75% of participants' gross compensation in 1999 and 1998. Participants become fully vested in their share of the Center's matching contribution after 10 years of service.

Total payroll, covered payroll, employee contributions and Center contributions for the year ended December 31, 1999 and 1998 were:

	1999	1998
Total payroll	$ 663,194	$ 785,851
Covered payroll	556,507	$ 656,279
Employee contributions	52,934	$ 62,348
Center contributions	43,129	$ 50,842

3. AD VALOREM TAX REVENUES:

The Hospital Service District levies an annual ad valorem tax on all property subject to taxation in the District. The tax is collected to defray the cost of the Center's operations and was 2.54 mills for 1999 and 1998.

4. RELATED PARTY TRANSACTIONS:

Plaquemines Parish periodically advances funds to the Center to fund operating deficits and certain equipment additions. Amounts advanced are based primarily on the Center's budgeted deficit for the year. The Center owed the Parish $225,000 under a non-interest bearing advance at December 31, 1999 and 1998. The Parish has no intent to collect this advance during fiscal 2000.

The Center's building and land as well as certain building improvements were built and purchased with funds provided by Plaquemines Parish, which formerly operated the Center. The Hospital Service District was created in 1980 and assumed operations of the Center; however, Plaquemines Parish retained ownership of the land and building and, accordingly, such assets are not included in the accompanying balance sheets. The Center has use of the facility without the payment of rent. In addition, the Center collects rents on the Physician's Office Building which is owned by Plaquemines Parish. Virtually all utilities expenses of the Center are paid by the Parish.

The Center is dependent upon the financial resources of Plaquemines Parish (the Parish) to satisfy its obligations. As the Parish is committed to the continuance of a public healthcare facility for residents of the Parish, it is expected that the Parish will continue to provide financial support to the Hospital Service District's operations. The Center would be unable to continue operations without the financial support of the Parish.

5. MALPRACTICE INSURANCE:

During 1976, the State of Louisiana enacted legislation that created a statutory limit of $500,000 for each medical professional liability claim and established the Louisiana Patient Compensation Fund (State Insurance Fund) to provide professional liability insurance to participating health care providers. The Center participates in the State Insurance Fund, which provides up to $400,000 coverage for settlement amounts in excess of $100,000 per claim. The Center is insured for malpractice claims with respect to the first $100,000 of each claim (up to an annual limit of $300,000) by a major insurance company.

6. COMMITMENTS:

The Center has an available unsecured line of credit with a bank in the amount of $500,000 at December 31, 1999. At December 31, 1999, the Center had $100,000 outstanding on this line which was repaid subsequent to year end. Interest on the line of credit varies at the prime rate less 1% (5.0% at December 31, 1999).

7. AMOUNTS PAID TO GOVERNING BOARD MEMBERS:

The Hospital Board of Commissioners received the following compensation from the Center for services as Commissioners during 1999:

Joseph Ansardi	$ 320
Paul Broussard	480
Mary Ann Braud	320
Bobbie Coon	440
Bobby Dawson, Jr.	200
Marcella Flanagan	240
Nancy Lahaye	320
August Tinson	200
Kim Vaughan	320
	$2,840

8. GOVERNMENTAL REGULATIONS:

The healthcare industry is subject to numerous laws and regulations of Federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity has increased in recent years with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that the Center is in compliance with fraud and abuse as well as other applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

Legislation and regulation at all levels of government have affected and are likely to continue to affect the operation of the Center. Federal healthcare reform legislation proposals debated in Congress in recent years have included the imposition of price controls and/or healthcare spending budgets or targets, significant reductions in Medicare and Medicaid program reimbursement to hospitals and the promotion of a restructured delivery and payment system focusing on competition among providers based on price and quality, managed care and steep discounting or capitated payment arrangements with many, if not all, of the Center's principal payors. It is not possible at this time to determine the impact on the Center of government plans to reduce Medicare and Medicaid spending, government implementation of national and state healthcare reform or market-initiated delivery system and/or payment methodology changes. However, such changes could have an adverse impact on operating results, cash flows and estimated debt service coverage of the Center in future years.

ARTHUR ANDERSEN

INDEPENDENT AUDITORS' REPORT

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners:

We have audited the financial statements of Plaquemines Parish Comprehensive Care Center (Hospital Service District Number 1 of Plaquemines Parish, Louisiana) (the Center) as of and for the year ended December 31, 1999, and have issued our report thereon dated April 26, 2000, in which our opinion was modified to include a reference to the factors which raise substantial doubt about the Center's ability to continue as a going concern. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners and management, however, this report is a matter of public record and its distribution is not limited.

Arthur Andersen LLP

New Orleans, Louisiana,
April 26, 2000

EXHIBIT A

Plaquemines Parish Comprehensive Care Center
Schedule of Findings and Questioned Costs
Year Ended December 31, 1999

Section I -- Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Qualified (1)
Internal control over financial reporting -	
Material weaknesses identified:	None
Reportable conditions identified:	None
Noncompliance material to financial statements noted:	None

Federal Awards

Internal control over major programs -	
Material weaknesses identified:	None
Reportable conditions identified:	None
Type of auditor's report issued on compliance for major programs:	Unqualified
Audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section 510(a):	None

Identification of Major Program:

CFDA No.	Program
None	

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk/not low-risk auditee	Low-risk

(1) Qualified due to doubt regarding ability of the Center to continue as a going concern.

Section II -- Financial Statement Findings:	None
Section III -- Federal Award Findings and Questioned Costs:	None